TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 354 - HB 422

March 17, 2015

SUMMARY OF BILL: Imposes a surcharge of $0.13 per gallon of diesel fuel used by a motor carrier to operate freight motor vehicles on public highways in Tennessee. Imposes a highway maintenance fee at the rate of $0.0285 per mile for each commercial motor vehicle that the motor carrier operates on public highways in Tennessee and that has a gross vehicle weight rating or gross combination weight rating in excess of 59,999 pounds. Requires all revenue generated by the surcharge and the highway maintenance fee to be allocated in the same manner as the diesel tax is allocated pursuant to Tenn. Code Ann. § 67-3-905(a). Requires motor carriers subject to the surcharge or the highway maintenance fee to register with the Department of Revenue (DOR) and file a quarterly report showing the number of miles operated within Tennessee and the number of gallons of diesel fuel used within Tennessee during the reporting period, and any other information as required by the Department.

Establishes a franchise and excise (F&E) tax credit for motor carriers domiciled in Tennessee equal to the sum total of highway maintenance fees and surcharges paid to this state during the preceding four calendar quarters.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – $1,107,700/Recurring/General Fund
$122,051,700/Recurring/Highway Fund

Increase State Expenditures – $212,500/One-Time/General Fund
$155,500/Recurring/General Fund

Increase Local Revenue – $73,988,300/Recurring

Other Fiscal Impact – The Department of Revenue reports that it is unconstitutional to offer F&E tax credits only to companies domiciled in Tennessee. If the proposed F&E tax credit is found to be unconstitutional upon passage of this bill, it is assumed that such credit will be deemed invalid and will not be granted to any in-state or out-of-state businesses.

Assumptions relative to Interstate Travel:

- According to date from the International Fuel Tax Association, 630,638,113 gallons were used and 4,525,514,540 miles were driven on public highways in Tennessee in 2013. These numbers are assumed to remain constant in perpetuity under current law.

- It is assumed that one percent of the gallons used and miles driven will be exempt from the proposed surcharge and fee, due to being a special zone vehicle or a commercial bus, as defined by the proposed legislation.
- It is further assumed that 100 percent of freight motor vehicles are above the weight rating of 26,001 pounds.
- As a result, the recurring increase in revenue is estimated to be $81,163,125 (630,638,113 x 99% x 100% x $0.13).
- Seventy-five percent of freight motor vehicles are assumed to be above the gross vehicle weight rating or gross combination weight rating of 59,999 pounds.
- As a result, the recurring increase in revenue is estimated to be $95,765,544 (4,525,514,540 x 99% x 75% x $0.0285).
- The total recurring increase in revenue for interstate travel is estimated to be $176,928,669 ($81,163,125 + $95,765,544).

Assumptions relative to Intrastate Travel:

- DOR estimates that, based on data from the Freight Analysis Framework, which contains data on intrastate and interstate travel methods by state, total number of gallons used and miles driven for intrastate freight travel is approximately 25 percent of gallons used and miles driven for interstate freight travel. Therefore, 157,659,528 gallons of fuel were used and 1,131,378,635 miles were traveled on intrastate travel in Tennessee in 2013. These numbers are assumed to remain constant in perpetuity under current law.
- It is assumed that fifty percent of the gallons used and miles driven will be exempt from the proposed surcharge and fee, due to being a special zone vehicle or a commercial bus, as defined by the proposed legislation.
- It is further assumed that 100 percent of freight motor vehicles are above the weight rating of 26,001 pounds.
- As a result, the recurring increase in revenue is estimated to be $10,247,869 (157,659,528 x 50% x 100% x $0.13).
- Seventy-five percent of freight motor vehicles are assumed to be above the gross vehicle weight rating or gross combination weight rating of 59,999 pounds.
- As a result, the recurring increase in revenue is estimated to be $12,091,609 (1,131,378,635 x 50% x 75% x $0.0285).
- The total recurring increase in revenue for interstate travel is estimated to be $22,339,478 ($10,247,869 + $12,091,609).

Assumptions relative to the Total Revenue Increase and Revenue Distribution:

- The total increase in revenue for both interstate and intrastate travel is estimated to be $199,268,147 ($176,928,669 + $22,339,478).
- Such revenue shall be allocated in the following manner: 1.62 percent ($3,228,144) to the General Fund; 37.13 percent ($73,988,263) to the local government; 61.25 percent ($122,051,740) to the Highway Fund.

Assumptions relative to F&E Tax Credits and State Expenditures:

- DOR reports that total F&E tax liability for tax year 2013 for trucking companies domiciled in Tennessee was approximately $4,240,900. All intrastate travel is assumed to be conducted by companies domiciled in Tennessee.
- It is further assumed that the proposed tax credit will apply to 50 percent of such liability, due to the special zone vehicle exemption defined in the proposed legislation.
- The total recurring decrease in state revenue to the General Fund is estimated to be $2,120,450 ($4,240,900 x 50%). The net increase in state revenue to the General Fund is estimated to be $1,107,694 ($3,228,144 - $2,120,450).
- DOR indicates that it is unconstitutional to offer F&E tax credits only to companies domiciled in Tennessee. If the proposed F&E tax credit is found to be unconstitutional upon passage of this bill, it is assumed that such credit will be deemed invalid and will not be granted to in-state or out-of-state businesses.
- DOR reports that the proposed legislation will require three additional Vehicle Service Division Rep 3 positions, beginning in FY15-16, resulting in a one-time increase in state expenditures of $16,500 and a recurring increase in state expenditures of $155,472. Further, there will be a one-time increase in state expenditures of $196,000 for the necessary system changes to be performed by the Department's Information Technology Resources Division.
- The total one-time increase in state expenditures from the General Fund will be $212,500 ($16,500 + $196,000).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding, Executive Director

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